

From: Jacobs, Chris (JEC)
Sent: Monday, May 07, 2012 4:37 PM
To: Jacobs, Chris (JEC)
Subject: Another Way Obamacare Will RAISE Health Costs

This month's issue of Health Affairs, released on Monday, contains an interesting new study on consumer-directed health plans – both Health Reimbursement Arrangements and Health Savings Accounts (HSAs) – written by researchers from the RAND Corporation. The [study](#) (subscription required) found that *expanding the use of consumer-directed health plans from their current share of 13% of the employer-sponsored marketplace to 50% market penetration would **reduce health costs by \$57 billion per year***. The study also found that **if HSAs had a 50% share of the employer marketplace, costs would drop by an even larger amount – \$73.6 billion per year, or 9.1% of employee health care spending** – because employees save more in HSA plans than in Health Reimbursement Arrangements. By any standard, both sums discussed in the study are significant amounts of potential savings for American workers.

Unfortunately, several provisions in Obamacare will move health coverage in the exact opposite direction, by restricting access to HSAs and consumer-driven plans – therefore raising, not lowering, health costs. Three separate provisions in the statute, and regulations implementing the law, will reduce access to HSA plans:

1. Obamacare's essential health benefits package contains new restrictions on deductibles and cost-sharing, which will prevent at least some current HSA plans from being offered.
2. Obamacare's medical loss ratio regulations also impose new restrictions that [studies show](#) will hit HSA plans particularly hard, and could force individuals to change their current form of coverage.
3. The Obamacare [statute](#) does not specify that cash contributions made to an HSA will be counted towards the new federal actuarial value standards. And a February [bulletin](#) released by HHS in advance of upcoming rulemaking indicates that under the Administration's approach, not all contributions into an HSA will count towards the new minimum federal standards – meaning some HSA policies will not be considered “government-approved.”

Both individually and collectively, these provisions in Obamacare will have the effect of limiting access to new and innovative consumer-directed health plans like Health Savings Accounts. The Health Affairs article illustrates that not only will these onerous regulations prevent many Americans from keeping the plans they

have and like – by limiting access to consumer-directed health plans, Obamacare will also raise, not lower, health costs for many Americans.

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